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THE CRISIS OF BRITISH SOCIALISM

by William Henry Chamberlin

The next Parliamentary election in Great Britain will be one of the most interesting in the long constitutional history of that country. The verdict of the British people at the polls will either accelerate, or retard, the peaceful social revolution that has been taking place since the Labor Party won its sweeping majority in the House of Commons by the election of 1945. More than that, the election will almost certainly take place in the shadow of a major financial crisis.

On the outcome of this crisis may depend the feasibility of the "middle way" represented by democratic Socialism, of which Britain is the outstanding example today. American experience proves that economic individualism works, in the sense of providing a rising standard of living for people living under government by consent. How far can this individualism safely be adulterated with collectivist innovations?

The ability of the Soviet regime to survive civil war, famine and an extremely destructive foreign invasion also indicates that Communism, with its combination of one-party political dictatorship and all-out economic collectivism, is a tough and durable system. Whatever may be the moral verdict on the Communist method of rule by terrorism and propaganda, that method has yielded practical results.

British Socialism, as practiced by the present Labor Government, stands between the American and Soviet models. It has administered a fairly large dose of nationalization, to coal mines, the Bank of England, gas and electricity, railways and road transport, with the iron and steel industry next on the list. But more important than these nationalization moves, some of which the Conservatives would not undo if they were returned to office, are two other aspects of British Socialism: (1) government planning and (2) social and economic levelling. A British economist with a sense of history, Honor Croome, sums it up in a recent issue of Lloyd's Bank Review:

> "The economic life of the citizen is less under his own control than in the days of the Tudors. Even Tudor officialdom is not recorded to have ordered the ploughing-in of a crop ready for harvest, because its sowing had not been sanctioned, nor made it an offense for a man to give a neighbor a pitcher of milk, nor forbidden him to repair his own house with his own hands. No guild tyranny was tighter than that of the officially encouraged closed shop, no sumptuary law more explicit than many prohibitions

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of non-utility -- and no official debasement of coinage more effective, as a barrier against the winning of independence through personal savings, than the fiscal policies of today."

II

A tremendous economic levelling has taken place as a result of British fiscal and social policies. In a budget of a little over thirteen billion dollars about 1.8 billion goes for food subsidies. This means a big transfer of money from the pockets of the well-to-do, who pay a higher share of the taxes, to those of the poor, who benefit most by the policy of keeping the price of rationed foodstuffs to the consumer well below the cost of production.

Appropriations for social services, including the much publicized free medical treatment, amount to about two and a half billion dollars. Here again the industrial working class benefits at the expense of the middle and well-to-do classes. It is the poor who get the advantage of free dentures, spectacles and operations. Those who were accustomed to pay for their own medical care in the past find that under the new scheme they often receive more cursory and less satisfactory treatment.

One could cite many other examples of the tendency to favor the industrial workers at the expense of the rest of the population. Factory canteens receive twice the meat allowance of ordinary restaurants. Rationing, enforced severely and generally, cuts far more into the living standard of the middle than of the working class.

A friend in London tells me that the one-third of Britain's population in the top economic brackets has lost a good deal, that the bottom one-third has gained a good deal, and that the middle one-third has lost a little. I have tried out this estimate on a number of Englishmen of varying political and economic viewpoints. All of them agree that it is a pretty fair summary of the situation.

It is easy to go astray in judging British political prospects by listening only to the grievances of the top one-third. From the standpoint of the average industrial worker, the Labor Government, up to the present time, has done a pretty good job. There is extremely little unemployment. In fact, there is a conspicuous labor shortage in mining, textiles and agriculture. The wage earner knows that no matter how slack he may be, or how many days he may take off to attend football games and dog races, he is not likely to be fired.

He is the main beneficiary of an ambitious and expensive program of social welfare measures. The restrictions which are so galling to people in the middle and upper income brackets do not affect the wage

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earner very much. He is seldom interested in travelling abroad, or in building or repairing his own house or in starting his own business. Like everyone else, the wage earner (and his wife) would appreciate fewer queues, more meat and sugar and a wider variety of goods in the shops. But the Labor Party slogan, "Fair Shares", has an alluring sound. If the average man does not get everything he wants, he has the satisfaction of knowing that rationing puts everyone in the same boat.

Up to recently, therefore, the Labor Party, in looking ahead to the next election, could count with reasonable confidence on holding the majority of the industrial "working class" vote. This vote is very important in highly urbanized Britain. One still finds in Labor circles a disposition to claim victory at the polls, though by a much more modest majority than the party won in 1945.

III

But now a new factor has entered the British political picture. It may confound all political calculations of the moment and it certainly poses some very searching questions as to the viability of British Socialism as an economic system.

This new factor, of course, is the crisis in balance of payments between Britain and the sterling area, on the one side, and the dollar area, represented by the United States and Canada, on the other. Despite the post-war credit of $3.75 billion from the United States, and a similar smaller advance from Canada; despite the $1.25 billion of ERP aid given to Britain in the first year of the Marshall Plan and the prospect of $940 million more in the second year, the British financial cupboard has become extremely bare of dollars and gold. The deficit with the dollar area has been running at the rate of $2.4 billion a year, which is not nearly covered by present emergency economies.

Already the situation is proving far more grave than the British Government has as yet brought itself to admit. For a currency in a weak position, as sterling obviously is now, is like a bank of doubtful solvency. Everyone tries to get his money out. Under present conditions every firm, and every individual who can avoid or delay taking payment in sterling, will do so. Of course that aggravates the strain.

If the depletion of British reserves goes on, even at the present rate, some of the trump cards of Labor Party propaganda will be cancelled out. A low standard of living will become lower if and as purchases of North American wheat, tobacco and oil are further curtailed. Full employment will be threatened if purchases of cotton and other essential raw materials cannot be financed.

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It is significant that the British financial crisis was first reflected in a dispute over the functioning of inter-European payments. Sir Stafford Cripps was on one side. The United States and most of the continental governments were on the other. It would take too long to explain all the technical points involved in the dispute. But the central issue was simple. It was whether the sterling grants which Great Britain, in consideration of much larger dollar aid from America, would make to France and some other European countries, should or should not be transferable. The prospective recipients of the grants wanted to use the sterling where they could buy most advantageously. Cripps insisted that the sterling should be spent in Britain.

Back of this argument lay the grim fact that British goods, in many cases, are selling above competitive prices. High taxation, expensive social services, slack labor discipline, easy-going management, have all contributed to this situation. Hence the British tendency to shy away from all proposals to make sterling more convertible and to shelter behind bilateral trade deals.

Now if Britain were a self-sufficient country it could redistribute wealth and carry out social experiments without worrying too much about its level of costs. But Britain is very far from being self-sufficient. A quarter of its production must be sold abroad. Neither empire preference nor precarious barter arrangements offer an effective substitute for ability to buy freely in dollar markets.

And so one is brought squarely to the most important question confronting Britain today. Does National Socialism offer sufficient incentives, positive and negative, to enable Britain to hold its own, and pay its way, even on a reduced standard of living, in a competitive world? Under the individualistic system there is the positive incentive of a higher standard of living for hard and efficient work. There is the negative pressure of fear and unemployment.

The Soviet Union uses the piecework and bonus system, confers titles of industrial distinction, and puts slackers in concentration camps. In Britain these incentives and pressures do not exist, or have been greatly weakened. Everyone is assured a low minimum standard of living. No one can hope to rise much above that standard. Can British Socialism work out adequate emotional and material incentives that will make for stronger Labor discipline and more effective work? It is not the sort of question that can be answered by an election.

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Not Merely Gossip *A Supplement to* Human Events Vol. 6, No. 34

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By Frank C. Hanighen August 24, 1949

DISMANTLING: A daring, humanitarian proposal has been made by Germans in an effort to save the great August Thyssen steel works from dismantlement. This plant has a capacity of 2 million tons a year and is essential to German recovery. Germans now urge that the management of Thyssen be turned over to Allied control and operated as a foundation for European Youth Development. On June 22, Herr Arnold, Minister-President of North Rhine-Westphalia transmitted the proposal, signed by eleven leading West German personalities, to the British authorities. A week later, a question concerning the project was asked of Foreign Minister Bevin in the British Parliament. Bevin answered somewhat evasively, saying he did not wish to delude the German people into thinking that "the German armament industry would be restored".

The idea of transferring Thyssen to international control has received no publicity in the press in this country. But the principal French daily, Le Monde, on July 1 took favorable notice of it, as follows: "The taking-over of these works would therefore mean a not-insignificant acquisition for France, and a profitable undertaking. . . . The dismantlings are in contradiction to the Allied Occupation policy in Germany. The thought of recovery is at odds with the thought of such a sizable decrease in industrial potential. A nation which already counts 1.2 million unemployed would be punished by still greater unemployment. A psychological atmosphere would be created through the dismantling which at this moment certainly does not conform with the wishes and designs of the Occupation Powers; namely, of endeavoring to create at last a new government and a democratic regime in West Germany.

"That objection of Bevin's which treats the Thyssen works as an armament factory remains to be considered. Not only are tanks and cannon produced from steel, but also locomotives, vessels and tools. Whom will one convince that Germany will again become dangerous through the retention of an additional steel capacity of 2 million tons, when France will shortly be producing 15 million tons? The United States produces actually in the vicinity of 100 million tons of steel annually. The German proposal deserves to be considered. If valid reasons argue against it, it must certainly be refused. But those arguments cannot be viewed as valid which have been advanced up to now, and which are based not upon considerations of reparations nor security, but upon far less praiseworthy motives."

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ANGLO-AMERICAN FINANCIAL CONFERENCE: Late last Friday, August 19, a significant announcement was made in Washington and was buried in Saturday morning papers. Secretary of the Treasury John Snyder was named to preside over the forthcoming crucial U.S.-Britain-Canada conference on the British financial crisis. It had been announced, several weeks ago, that Dean Acheson would chair the meeting, and initially the Treasury was content to have it so. However, in the past ten days there have come sounds and portents from the State Department which altered the Treasury view.

Day after day, well-informed financial and business publications in this country have reported various "bold, imaginative" plans under consideration by Acheson's staff. There was, for instance, the proposal to raise the purchase price of gold above the $35 an ounce which has been the level for many years. In Treasury eyes,

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this would mean merely a $2 billion permanent subsidy for Britain, and dollars for Soviet Russia to boot. Next, there loomed the "thought" (as one financial paper put it) in the State Department that Britain's plight might be eased by purchase, at high prices, of such British raw materials as rubber and tin. The Treasury could perceive in this nothing less than a scheme of international price fixing. If the American people oppose price-fixing at home, why should they approve of it abroad? As for the notion of "economic union" with Britain -- that was just too impracticable for serious Treasury discussion. In short, State's hospitable attitude toward all these projects made the Treasury so apprehensive of the line which Secretary Acheson might take in leading the discussion at the coming conference that Treasury officials put their foot down. Word went from the Treasury to the White House that the Secretary of the Treasury, and not the Secretary of State, should run the show. And so it was decreed.

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ARMS DEBATE: The Administration suffered a stinging defeat August 18, when the House cut in half the Administration bill for arms aid to Europe. The fact is that Congress is angry, disturbed, wary and especially suspicious of the State Department and Acheson. They refer to the Secretary as a "clever lawyer"; but not in a complimentary way. Byrnes was a Member of Congress, "one of us", well-liked, sympathetic. Marshall was a "great general", with the aura of world victory, commanding respect. But Acheson hasn't these credentials.

It was interesting to hear the "China Paper" mentioned as an example of State Department ineptitude. State "messed up" the China policy, then tried to give an "alibi". Does this arms-for-Europe bill conceal some more "messing"? It was significant that the No. 2 Democrat on the House Foreign Affairs Committee, Richards of South Carolina, led the fight for the cut, ably seconded by John Vorys of Ohio, No. 2 Republican on that Committee. Both men have usually co-operated with State. Both men are the predestined successors of Chairman Kee, 75 years old, and the ranking Republican "Doc" Eaton, 83 years old. The revolt against the State Department can be clearly seen in the Congressional Record, of August 19, as follows:

Miller (Nebraska) inveighed against the State Department's permission to Tito to buy the steel mill, "Within the last three years, it was this same communistic country that shot down our flyers . . . I wonder just how long before the same Left Wing group in the State Department will be advocating sending potential war material or maybe a loan to communistic China. Are they really trying to contain Communism? They frown upon Franco of Spain getting any assistance and yet that is the only country in Europe that is 100 per cent against Communism. Mr. Speaker, the State Department is muddled and confused. It makes neither rhyme nor reason." Mr. O'Hara (Minnesota), "More hush-hush diplomacy." Mr. Case (South Dakota), "I think there is much in the logic that we should ask those people who are out there on the line to do something for themselves, too, because this is their struggle also." Mr. McDonough (California), "The State Department has granted a permit to Tito, the communistic dictator of Yugoslavia . . . [who] killed our American flyers. . . . The Administration must do everything it can to justify its program even if it is wrong. Let us not be deceived by this clever plan." Mr. White (California), "I do not care how much armament you send over there, it may finally be used against us." Mr. Richards (South Carolina), "I am not willing to vote a 2-year supply of money on the supposition that European nations will do what they are supposed to do." Mr. Smith (Wisconsin), "I charge that the State Department is not interested in stopping Communism everywhere. Its chief object is to syphon American dollars out of the country in an effort to bolster a socialistic economy all over the world. The Left Wingers in that Department want it that way and they run the show."

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COMMUNIST REFUGEES: A fascinating little story came to us the other day from a friend in Europe. Our correspondent has seen all sorts of refugees -- old White Russians, new Red Russians reviling Stalin's system, Jews from behind the Iron Curtain en route for Palestine, Germans fleeing the Soviet yoke in the Eastern zone, and many other plain and fancy types. All of these, however, are anti-Communist of some variety or other. The latest novelty, however, must indeed be a unique study -- Communist refugees from Communism, faithful Kremlin followers taking refuge in Western democratic countries from Tito's persecution. There are estimated to be several thousand "Cominform Communists", mostly Croats or Serbs, who have smuggled themselves through the Trieste zone border or across the Adriatic to Italy.

Presumably the vision that impelled these new-style displaced persons to brave the bullets of Tito's guards was a life of freedom in "reactionary" Italy, although it seems that some wanted merely to get to Soviet Russia. All, however, ran afoul of the tough Minister of Interior Scelba. He has given many of these new refugees hospitality -- in jail. Sr. Scelba, of course, has been quite disposed to release them for a one-way journey to Soviet Russia, but so far Russian consuls in Italy have shown a rather tepid interest in forwarding them to the Socialist motherland. Possibly, in Moscow's eyes, anybody from Tito-land must remain suspect of the taint of heresy.

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NON-RECOGNITION OF SPAIN: Why does the State Department still oppose full recognition of the Franco regime? Discussion of this mystery goes round and round, but recently a new theory has been advanced. Last spring, the generally accepted version was that Mrs. Eleanor Roosevelt because of fellow traveller leanings exerted her influence against recognition and stopped that course. Now, well-informed observers of the business world suggest that international finance was a powerful factor in aiding Mrs. Roosevelt's efforts. They point to a story in the business section of the New York Times (August 18) as lifting a corner of the curtain which has concealed a great struggle between various elements of what Communists call Finanz Kapital for control of Spain's utility industry; and they say that recognition of the Franco Government was a pawn in this financial chess game. The Times says: "Despite State Department and Belgian Government intervention, the Spanish Government has moved closer to approval of a move by which Juan Albert March, one of the world's richest men, would gain control of the Barcelona Traction, Light and Power Company, Ltd., it was asserted yesterday."

This conflict is a complicated one, involving intricate international, stock and bond holdings, directorships, prior liens, one alleged bankruptcy, trusteeships and Spanish law courts. But the essence of it is that Mr. Juan March, Spanish business magnate, who enjoys the friendship of the Franco regime, has been battling powerful companies outside of Spain for control of the Spanish utility empire. Last spring, these non-Spanish interests threw their weight into the behind-the-scene debate over Spanish recognition; and it is understood that some persuasive lobbying was done by their agents in Washington and Lake Success in order to block the proposal in the UN for sending ambassadors to Madrid.

It is, of course, difficult to assess just how large a part this financial influence played in the final decision against recognition, but our informants believe that it was not inconsiderable. Of course, it requires no great degree of sophistication to conclude that, if the two opposing sides in the struggle over Spain's utilities were to reach a satisfactory settlement, there would be no doctrinaire opposition to recognition from the adversaries of Mr. Juan March. That no such deal has been reached, however, is indicated by the New York Times article quoted above, and one may infer that the same forces will be acting against Franco again in this fall's UN Assembly meeting.

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Book Events

The Aims of Education and Other Essays, by Alfred North Whitehead. New York: Mentor Books: The New American Library. 35 cents. Reviewed by J. M. Lalley.

The collection of pedagogic essays and addresses reprinted for larger circulation in this pulp-paper edition was first published in 1929. That was about five years after the late Professor Whitehead had come from England to fill a chair of philosophy at Harvard. Nearly all the papers, however, were written at much earlier dates, so that the actual object of the author's critical scrutiny is the British educational system of a generation ago; but what he has to say about it seems highly pertinent to our own schools today. The book is a long protest against the tyranny of what he called "inert ideas"; that is to say ideas which remain, so to speak, in a vacuum, forever disassociated from the practical and imaginative life of the student.

The central fallacy of the educators has been the notion that enthusiasm for a subject follows a systematic training in it, that a love of literature, for example, is impossible until one has learned to read and write. The process of learning is, however, actually the reverse; it is the passion for a subject that reconciles the student to its discipline. The first task of the educator, therefore, is to cause a ferment of the imagination. Whitehead separated the learning process into three stages operating upon a principle analogous to the thesis, antithesis and synthesis of the famous Hegelian dialectic. The first stage he called the romantic, when the the subject has all the delight of novelty, and its unexplored possibilities the fascination of mystery. The second stage is that of precision, when the student accepts a given method of analyzing the facts he has discovered. The third stage is generalization, when the student carries the technique of knowledge thus acquired into wider fields of romantic interest. Thus an imaginative awakening to literature, that is, to stories, poetry and history, should precede formal training in the precise arts of grammar and spelling, so that when the student has acquired these arts in his own and in other languages he will carry them of his own accord to the exhaustless fields of general literature.

This systolic and diastolic rhythm of imagination and instruction, Professor Whitehead insisted, obviates the dilemma of freedom and discipline in education. In the same fashion he disposed of the controversy concerning the relative merits of general and specialized curricula that now agitates so many American educators. A specialized study is, or should be, one in which the student has particular interest, and it is the function of general education to arouse such interests. Conversely, a special study is a necessary stimulus to any general education, because the connotations of the subject lead the mind progressively outward from it. So, too, with the quarrel concerning liberal and technical education. Technical training is necessary if the student is to understand the relationship of the liberal arts to the world he inhabits. The aristocratic, or Platonic, tradition in liberal education, Whitehead thought, ignored the importance of gymnastic, or physical activity, so that the bodily need of motion, which might have been satisfied by the co-ordination of theoretic instruction and practical labor, had to be supplied by irrelevant sports. Work is always pleasurable when it is illumined by some intellectual or moral vision, and not pursued merely for gain. Boys who are learning algebra and geometry, for example, should discover the relationship between mathematics and reality by shop practice in such crafts as carpentry and iron working. Even the periods of relaxation should be co-ordinated with the program of studies, and much of the time now devoted to games might be spent at theatres, where the students would watch the performance of plays related to their literary studies.

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